



QUEENSLAND FARMERS' FEDERATION

Primary Producers House, Level 3, 183 North Quay, Brisbane QLD 4000
PO Box 12009 George Street, Brisbane QLD 4003
qfarmers@qff.org.au | 07 3837 4720
ABN 44 055 764 488

Submission

31 October 2018

Mr Vern Di Salvo
Acting ED and Delegate of the Valuer General
1 William Street
BRISBANE QLD 4000

Via email: joseph.piccini@dnrme.qld.gov.au

Dear Mr Di Salvo

Re: Review of the Financial Thresholds Required to Qualify for a Farming Concessional Valuation

The Queensland Farmers' Federation (QFF) is the united voice of intensive agriculture in Queensland. It is a federation that represents the interests of peak state and national agriculture industry organisations, which in turn collectively represent more than 13,000 primary producers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Australian Cane Farmers Association (ACFA)
- Flower Association
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Queensland Chicken Meat Council (QCMC).

QFF welcomes the opportunity to provide comment on the matters referred to in your letter dated 2 October 2018, pertaining to the 'Review of the Financial Thresholds Required to Qualify for a Farming Concessional Valuation'. QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers.

The united voice of intensive agriculture



QFF notes that this is a review regarding the definition of farming as it relates to the *Land Valuation Act 2010* and **not** a review of the concessional framework. QFF does not support any review of the concessional framework at this time.

QFF understands that the Local Government Association of Queensland (LGAQ) has ‘lobbied the state government’ for this review. It would be beneficial to have the issues clearly articulated which the LGAQ wishes to have addressed.

While QFF is eager to ensure that only legitimate primary production enterprises are rightfully claiming the farming concessional valuation under the *Land Valuation Act 2010*, QFF is concerned by a concept that simply defines primary production businesses using ‘financial thresholds’.

As an example, Table 1 below shows the number of farm businesses, area dedicated to agricultural production, and total area of crop in Queensland for the past five years.

Table 1: Agricultural Statistics for Queensland, Australia (ABS 2018, ABS 2018a, ABS 2017a, ABS 2016b, ABS 2015, ABS 2014)

	<i>No. of agricultural Businesses</i>	<i>Area of farm (Ha)</i>	<i>Total Area of crop (Ha)</i>
<i>2012-2013</i>	26,647	129,548,236	3,270,474
<i>2013-2014</i>	26,786	139,932,697	2,302,145
<i>2014-2015</i>	25,512	135,917,925	2,407,354
<i>2015-2016</i>	18,153*	127,550,998	2,335,703
<i>2016-2017</i>	18,514	137,954,589	2,604,620

***Note:** The scope for the 2015-16 Agricultural Census is different from previous ABS rural environment and agricultural collections. The threshold for including businesses in the 2015-16 census was raised from an ‘Estimated Value of Agricultural Operations’ (EVAO) of AU\$5,000 and over, to AU\$40,000 and over.

Table 1 highlights the issues associated with simply defining agricultural businesses on a financial threshold – it is not a valid or precise criterion. Despite the changes in reporting practices, the actual number of agricultural businesses are declining. Rural Queensland is experiencing population decline in many areas.

Ongoing drought, increasing farm debt, global commodity market volatility, and declining productivity as a result of high fixed government charges (including rates) are significantly and negatively impacting the sector. Farm revenue across some commodities is becoming more cyclical.

As such, QFF does not support an overly simplified definition for farming/primary production that only considers or includes a requirement for an unsubstantiated financial threshold.

QFF would support a review of the overall farming criteria under Section 48 by an appropriately qualified, independent professional in association with extensive investigation of relevant case studies, with particular regard to farming enterprises in coastal areas, to ensure that the definition is fit for purpose and will also accommodate the technologically dynamic and evolving future farming enterprises.

QFF notes the current definition of farming under the *Land Valuation Act 2010*

S48 What is farming

(1) **Farming** is the use of land for a farming business if—

- (a) the use is the land’s dominant use; and
- (b) the conditions under subsections (2) and (3) are complied with.

(2) The business must be carried out for profit on a continuous or repetitive basis.

(3) The business must have a substantial commercial purpose or character shown by at least one of the following—

- (a) having an average gross annual return, worked out over a 3-year period, of at least \$5000;
- (b) if the business is establishing and harvesting native or non-native forests—having an average anticipated gross annual return, worked out over the period from establishment to harvesting that is usual for the particular species of tree, of at least \$5000;
- (c) if the business is maintaining and harvesting native forests—having an average anticipated gross annual return, worked out over the period from the start of maintenance to harvesting of the particular species of tree, of at least \$5000;
- (d) having both of the following—
 - (i) a minimum value of farm improvements or planting of forest or orchard trees of \$50000;
 - (ii) the appearance of being kept for farming or expenditure on crops, forest trees, maintenance of farm improvements, livestock or orchard trees.

(4) In this section—

farm improvements includes appropriate sheds, other structures, facilities, farm plant and land development for the particular farming business but does not include a dwelling or car accommodation.

farming business means—

- (a) the business or industry of grazing, dairying, pig farming, poultry farming, viticulture, orcharding, apiculture, horticulture, aquaculture, vegetable growing, the growing of crops of any kind or forestry; or
- (b) another business or industry involving the cultivation of soils, the harvesting of crops or the rearing of livestock

As part of the review, QFF would request that the threshold values noted in s48 (3) are fully justified or removed.

As a comparison, QFF notes the definitions from Victoria.

The following is the meaning of “Farm Land” as set out in the *Valuation of Land Act 1960 (VIC)*, Section 2 - “Farm Land” means any rateable land-

- (a) that is not less than 2 hectares in area; and
- (b) that is used primarily for grazing (including agistment), dairying, pig-farming, poultry-farming, fish-farming, tree-farming, bee-keeping, viticulture, horticulture, fruit-growing, or the growing of crops of any kind or for any combination of those activities; and
- (c) that is used by a business –
 - (i) that has a significant and substantial commercial purpose or character; and
 - (ii) that seeks to make a profit from its activities on a continuous or repetitive basis from its activities on the land; and
 - (iii) that is making a profit from its activities on the land, or that has a reasonable prospect of making a profit from its activities on the land if it continues to operate in the way that it is operating

QFF notes that under the *Valuation of Land Act 1960 (VIC)*, that a ‘farming business’ must include:

- The activity being carried out on a property must be a business, not a hobby or recreational activity.
- The activity must be carried out for the purpose of earning an income on an ongoing basis.
- Have a status of “primary producer” with the Australian Taxation Office

The requirement to have status of primary producer with the Australian Taxation Office alone, is already highly prescriptive and would only include legitimate agricultural enterprises in line with its guidance (<https://www.ato.gov.au/misc/downloads/pdf/qc16878.pdf>) and associated taxation ruling <https://www.ato.gov.au/law/view/document?DocID=TXR/TR9711/NAT/ATO/00001>. This Ruling considers the meaning of 'business' of 'primary production' in the *Income Tax Assessment Act 1997*



(ITAA 1997). It provides a guide to the indicators that are relevant to whether or not a person is carrying on a business of primary production.

QFF would also seek for the review process to consider if the status of 'Primary Producer' within the Australian Taxation Office is a relevant criterion, amongst others, to 'confirm' a farming enterprise.

Noting the potential sensitivity associated with the review of the 'financial thresholds required to qualify for a farming concessional valuation under the *Land Valuation Act 2010*', QFF highlights the importance of engaging in a full consultation process with all stakeholders. An independent review would only form part of the critical consultation process required with primary producers.

If there are any queries regarding this submission, please contact Dr Georgina Davis at georgina@qff.org.au.

Yours sincerely

Travis Tobin
Chief Executive Officer